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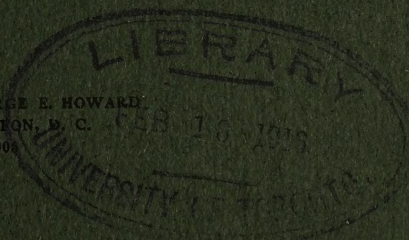
PUBLIC OWNERSHIP AND THE WAGE-EARNER

A Paper Presented at the Special Summer Meeting of the American
Association for the Advancement of Science, before the
Section on Social and Economic Science, at
Ithaca, New York, on July 2, 1906.

By H. T. NEWCOMB

Of the Bar of the District of Columbia.
Author of "Railway Economics," "The Postal
Deficit," "Some Consequences of the Trust Movement,"
"Recent Phases of the Labor Problem," "The Federal Courts and
the Orders of the Interstate Commerce Commission," "The
Facts about Railroad Rates," "A Conservative
Trust Policy," Etc., Etc.

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Public Ownership and the Wage-Earner

By H. T. NEWCOMB

In its efforts to convert municipal, state and national governments to particular portions of its socialistic program the persistent propaganda of public ownership, whose tireless activities so visibly pervade current American politics, usually demands the support of wage-earners upon the ground that the employees of public enterprises will be more favorably treated than those of private enterprises in the same field. It is claimed that public ownership means higher wages; shorter hours of labor, and, generally, better conditions of employment. The street-corner socialist contends that private profits are the consequence of ruthless exploitation of workingmen whose wrongs, now vainly crying for relief, would be transmuted into abundant blessings by the simple device of ousting the private capitalist and putting government in his place. The intelligence of his audience is not affronted by the absence of evidence that labor receives less than it creates, and the

assumption that government ownership can create, out of nothing, something wherewith to pay more in wages for less in work and in product, passes without audible challenge. And what is true of the avowed socialist and his leisure-loving hearers, is equally true of that numerous class composed of those who unwittingly support and advance the cause of socialism because their sympathies outrun their understanding. Government has been so frequently called the best employer that many have come to believe, in spite of easily available and abundant evidence to the contrary, that it *is* the best employer.

THE CHALLENGE.

This opinion, here and now, I challenge.

I propose to prove not only that the government is not the best employer, but that it is not even a fair employer. Nor is this all. I shall show conclusively that when government engages in industry on a large scale the condition of its employees naturally and inevitably degenerates to that of slavery.

A CONTRAST.

Those who claim most for Democracy as a system of government, do not contend that its perception of details is accurate, or its wisdom in dealing with them precise and practical. It acts upon general principles, its moral enthusiasms are immense, its general conclusions usually

wise and constructive; but it has no capacity for exact measurements or for that form of specialization which consists in the minute analysis of an industrial mechanism and complete comprehension of its smallest parts and the conditions controlling their operations. The successful private employer must possess precisely these qualifications. He must know the business in which he is engaged in its every aspect. Pecuniary success, in private enterprise that inexorable condition whose consequence is efficiency, but in public enterprise wholly lacking, is proportioned to this knowledge and the wisdom of its utilization. Of all the matters to be fully understood and wisely controlled the labor problems peculiar to each undertaking are chief. No one will dispute this or its necessary consequence, which is that, unless those labor leaders and students of industry who assert that well-paid and well-treated labor is most efficient and profitable are utterly wrong, the most successful private employers will be those by whom labor is most favored. This conclusion of *a priori* reasoning is amply justified by the facts. But the public employer has neither the knowledge of labor conditions, nor the incentive to efficiency which springs from the demand for pecuniary success. As truly as republics are ungrateful, the majority is sure to prove harsh as a task-master, and grudging in yielding compensation to its servants. Its enthusiasms are usually, not always, toward generosity, but they are changing, remittent and unreliable, while its sterner morality

produces an ideal of Justice that inspires the niggardly legislator while he crushes, in the ostensible interest of the taxpayer, every proposal to deal fairly and, therefore, wisely with the problems arising out of the public employment of labor. More than this; Democracy, or the majority, through which it operates, is intolerant of disagreement with its principles, relentless in beating down opposition to its policies, merciless to the minority which persists in impeding the execution of its will. What could such an employer be, in dealing with labor on a large scale, save an harsh task-master? What could it naturally become save a driver of shackled slaves? Where is the clear-headed and independent wage-earner who will consciously invoke such tyranny? (!)

GOVERNMENTS DO NOT ADVANCE WAGES WITH INCREASED
COST OF LIVING.

From 1896 to 1904 the average retail cost of the ordinary articles of food used in the United States advanced no less than seventeen per cent (16.96, to be more exact). That is, the purchaser of food for a family had to pay \$1.17 in 1904 for the same quantity and quality of food that \$1.00 would purchase in 1896. These are official statistics compiled by the highly skilled experts employed by the Federal government,* and every housewife knows that they do not

*Bulletin of the Bureau of Labor, of the United States Department of Commerce and Labor, No. 59,—July, 1905,—p. 17.

overstate the advance. Other necessities of life have advanced in cost with approximately equal rapidity. Unquestionably wages ought, generally speaking, to have advanced somewhat in proportion to the increase in the cost of living. In private employment this has apparently taken place, the average wages per hour reported by the Federal Bureau of Labor* being 17.36 per cent higher in 1904 than in 1896, and the average weekly earnings 12.76 per cent higher. The advances thus represented are spread all over the country, they characterize every private industrial enterprise, and have benefited all classes of workmen employed in private undertakings. How is it with public employment? A few undertakings conducted under public ownership employ labor like that similarly serving private employers in the same communities, and in these cases the public rate of wages has slowly been advanced somewhat in proportion to the advance in the wages privately paid. But where any American government, municipal, state or national, is the sole or by far the largest employer of a particular class of labor, the advances to meet increased cost of living have been so few that the ordinary investigator will be unable to discover a single instance. Throughout the postal service, among the 25,000 clerical employees at Washington, in the customs and internal revenue services; there have been no advances in pay to

*Bulletin No. 59, p. 17.

meet the rise in cost of food, clothing and shelter. The pay of letter carriers, for example, remains precisely where it was fixed nearly twenty years ago by an Act approved on January 3, 1887. The largest printing office in the world is that maintained at Washington by the Government, and there the Federal government employs a large force of intelligent and highly skilled workingmen. A change in the basis of payment, in 1899, from the piece work to the per hour system prevents comparisons with dates prior to the change, but wages have remained stationary since March 3, 1899, although the official statisticians report that the cost of food has advanced, since the rate of wages was fixed by statute, fully 12.26* per cent. During the same years the wages of printers in private book publishing or job printing establishments advanced, throughout the United States, as follows: Compositors, male, 14.67 per cent; compositors, female, 20.30 per cent; press feeders, male, 22.41 per cent; press feeders, female, 21.27 per cent; pressmen, 11.75 per cent.†

DEMOCRACY AN ARBITRARY EMPLOYER.

Democracy is naturally and properly jealous of the authority which it is obliged to delegate to any of its agents or representatives. It has found it necessary to restrict

*Bulletin No. 59, p. 17.

†Bulletin No. 59, p. 108-109.

that authority by general rules, and to hold each agent to strict accountability for obedience to the letter of every rule. When this practice ceases Democracy may nominally remain, but its substance will have disappeared. But the strict letter of the law is frequently the extreme of injustice. The private employer should always relax, and, in practice, usually does relax the letter of his regulations at the demand of justice, often at the demand of good feeling; the public employer has no capacity for mitigating the occasionally harsh operation of general rules. Democracy dares not trust those of its servants who are placed in supervision of other servants with the authority necessary for the merciful or just administration of its business relations with them. This is a difficulty frequently felt by those in charge of portions of Government work. Thus the law so limits the chief of every Executive Department in Washington as to allowing pay to employees absent on account of illness that it is not possible either to be fair to the taxpayers or to faithful and upright employees. The malingerer and the shirker easily fabricate the evidence necessary to obtain the pay for thirty days absence on account of illness, which is the maximum annually permissible under the law, while the most extreme instance of prolonged and desperate illness on the part of the most faithful and diligent employee does not permit an allowance of pay beyond the limit named.

SUED FOR OBEYING ORDERS.

The kind and generous employer theory of public ownership is somewhat weakened by a study of the case, not the only one of its kind in the postal service, of William H. Gowdy, sometime postmaster at Cripple Creek, Colorado. The facts here recited have been gleaned from a report of the Committee on Claims of the House of Representatives, which recommends the repayment to Mr. Gowdy and his bondsmen of about three-fourths of the losses incurred by them because the Federal Government was not even fair enough in its attitude toward this employee to abide by the instructions given him by the agent, who was his official superior.* Mr. Gowdy's service was not long, but, doubtless, it was sufficient. He became postmaster on August 15, 1891, and his employment terminated sixteen and one-half months later, on January 4, 1903. While he was in office the Cripple Creek gold discoveries were made, and, as the report says, "the growth of business was phenomenal." More specifically, the report declares:

"The business increased so fast that the postmaster was absolutely unable to attend to it without obtaining help, and frequent applications were made by him to the Department for such help, but without response."

*See House Report No. 4188, Fifty-Ninth Congress, first session.

No postmaster, however, is permitted to abandon his employment, and the postmaster and his bondsmen are liable if the duties are not performed. Brick had to be made although Pharoah furnished no straw, and the report tells what happened:

"It appears from the uncontradicted evidence on file, and this evidence appears entirely credible and trustworthy to the committee, that the postmaster. . . . spent of his own money over \$2,000 for necessary clerk hire to carry on the business of his office. This was necessitated by the extraordinary conditions prevailing at this office. The postmaster and his assistants were forced to work from 6 o'clock in the morning until very late at night sorting the mail, and he simply could not meet the demands of the service without employing additional help."

So Mr. Gowdy spent his "over \$2,000," part of which he may get back, if and when, the bill passes. But that is by no means all. In February, 1902, the Post-Office Department, through its authorized agent, the post-office inspector, says the report:

"directed Mr. Gowdy to obtain additional quarters, put in new boxes, and deduct from his receipts the amount required for this expense."

This instruction was given in the ordinary course of business by an accredited agent charged with supervisory

functions, and would have conclusively bound any private employer in the land. Mr. Gowdy promptly did his part as directed, and the Department, as promptly, disavowed the act of its agent, and held its employee, the unfortunate Mr. Gowdy, responsible for \$1,415.31, the amount expended. The inspector, to quote his language, did "not feel justified in recommending suit," to cover this sum, but his superiors at Washington were not controlled by any maudlin sympathy or any paltry sense of honorable obligation. Again to quote the report:

"These facts resulted in four suits being brought against him (Mr. Gowdy) for the amount of these items, aggregating \$1,415.31. On these suits judgment was rendered against the postmaster and his bondsmen in the United States District Court at Pueblo, Colorado, on August 7, 1891; December 19, 1891; March 10, 1892, and July 8, 1892, respectively, the judgments aggregating \$1,415.31, to which interest and cost was to be added.

Executions issued upon these judgments, and afterwards alias executions, but none was satisfied. The report quoted recommends the passage of a bill to release the judgments and to repay to Mr. Gowdy \$1,500 in full satisfaction of his claim for money spent. Considering that he expended "over \$2,000," that the Government has had the benefit of this sum for over fourteen years, that only part is to be repaid, and no interest allowed, and that Mr. Gowdy

has, in the meantime, been harassed by costly and injurious litigation, there is much apparent justification for the reference to him, by an officer of the Post-Office Department, as, under all the circumstances, "a man so unfortunate as to be appointed postmaster." Whoever thinks this an isolated instance of peculiar and unparalleled hardship might add to his information by studying the similar case of Mr. J. J. L. Peel, of Spokane, reported on the same day, but covering a service rendered during the three years beginning with 1886.*

PUBLIC EMPLOYEES NOT ALLOWED TO SEEK BETTERMENT OF THEIR CONDITIONS.

Those who serve Democracy as members of large groups of employees similarly engaged must surrender a part of their political power and freedom. To permit a numerous class of employees to become a compact political group voting and working at the polls, intelligently and persistently, to serve the self-interest of the group would destroy the strongest Democracy that ever existed. Enlightened citizenship will never permit such a continuous peril to threaten the life and liberty of any Nation, yet the measures necessary to protect against it, when public ownership has won considerable ground, must be harsh and humiliating to those employees whose action they restrain. Even under

*House Report No. 4189, Fifty-Ninth Congress, first session.

present conditions, when the civil servants of the United States constitute much less than one per cent of those of their citizens who are engaged in gainful occupations, some curtailment of their political privileges has been regarded as necessary. The restrictions imposed are not inconsiderable. The following order, which is still in force, was issued by President Roosevelt on January 31, 1902, and amended on January 25, 1906:

“All officers and employees of the United States of every description, serving in or under any of the Executive Departments or independent Government establishments, and whether so serving in or out of Washington, are hereby forbidden, either directly or indirectly, individually or through associations, to solicit an increase of pay or to influence or attempt to influence in their own interest any other legislation whatever, either before Congress or its committees, or in any way save through the heads of the Departments or independent Government establishments in or under which they serve, on penalty of dismissal from the Government service.”*

All classes of workmen, except those employed by the Government, are free to petition Congress, to persuade its members and its committees, to seek to influence elections, to resort to any otherwise lawful means to obtain legislation

*Civil Service Act, Rules and Executive Orders, Edition of March 5, 1906, published by the Civil Service Commission, Washington, D. C., p. 37.

in their own interest. The American Federation of Labor, some of the brotherhoods of railway employees, and other organized workmen continuously keep able and active legislative representatives at Washington, and these agents unquestionably exercise profound influence upon National legislation. But when the railways are nationalized the share of their employees in these activities must cease. Those who are inclined to doubt the application of the penalty will have their anticipations corrected by consideration of the fate of the postal employees not long ago summarily dismissed for alleged violations of the rule.

OPPOSITION TO CIVIL PENSIONS.

If the Federal Government takes over the railways will it abolish the generous pension systems by which many of them now reward faithful and long continued service? Opposition to a civil pension list has long been a chief principle with a large number of prominent National legislators, and so far their opposition has been effective. For years, some of those who believe that the Government ought to protect itself from superannuation among its civil servants have urged a pension system, based not upon liberality or justice to the employed, but upon the supposed needs of the employer. They have urged a system in which the funds to be expended in pensions would be obtained by deductions from the monthly pay of the em-

ployees, yet even this has been repeatedly rejected because of the fear that it might prove to be the entering wedge of a movement which would throw at least part of the cost of civil pensions upon the Government. The pensions paid to retired employees of American railway corporations are taken out of their treasuries, and the employees are neither asked nor expected to contribute.

PUBLIC OWNERSHIP INVOLVES COMPULSORY LABOR.

Personal liberty and compulsory labor obviously cannot co-exist. The facts which they represent are as repugnant to each other as the terms themselves. The employee whose employer has power to compel service is potentially a slave. I shall make no apology for using the strongest language in characterizing a condition which socialistic agitators are daily asking free workmen to substitute for their present freedom. Every government which becomes an employer has the power to compel the services of its employees upon terms of its own choosing, and experience has shown that this power will be exercised whenever the assertion of a right to the contrary on the part of a large body of workmen threatens to interrupt the orderly progress of any business in which government is engaged. The right of every individual to work on terms satisfactory to himself is sacred to those who know and comprehend the conditions essential to freedom, and equally sacred is

the right not to work. The workman who may not abandon his employment for any reason sufficient unto himself is no longer free, and he who is not permitted to cease to work for a poor reason may be refused the right to cease when his reason is a good one. If any authority of government has power to review his decision, to correct his judgment, and to send him back to work or to impose pains and penalties for abandoning his employment, or for the manner of such abandonment, he has become a slave. Every employing government has power to exercise such reviewing authority, to compel further service, and to impose such penalties. And when any government becomes a large employer of labor these powers do not long remain in abeyance.

COMPULSORY LABOR IN NEW ZEALAND.

The prolonged and disastrous strike that, in the year 1890, resulted in the complete defeat and substantial annihilation of the labor organizations of New Zealand* resulted in an effort on the part of the Government, to provide means for making impossible the recurrence of such interruptions of business. One of the chief objects of this effort and of the legislation in which it resulted was to prevent future strikes upon the railways, which are the property of the Government of New Zealand.†

*The Story of New Zealand by Professor Frank Parsons, pp. 179 *et seq.*

†Professor Parsons, *Supra*, p. 324.

To that end a compulsory arbitration law was adopted which provides for the exercise by the New Zealand government of its power to compel men to labor against their wills and under conditions wholly unsatisfactory and obnoxious to them. It is true that the compulsion so far provided is indirect, but it is none the less tangible and effective. Professor Frank Parsons, one of the ablest and most active American advocates of public ownership approves the New Zealand law, and would undoubtedly favor its adoption here, along with the many and varied forms of nationalized and municipalized industry which preceded it there. This law has often been described. As to the power to compel labor, I shall quote Professor Parsons, whose well-known zeal for public ownership and political interference in industrial affairs, and abundant discretion in advocacy, would negative any suggestion that I have chosen a witness, especially favorable to my contention. The following is from "The Story of New Zealand:"

" either party to an industrial dispute, employer or labor union, may begin proceedings under the Act, after which anything in the nature of a strike becomes unlawful, and business must continue on the old terms till the case is settled. If a strike or lockout has already begun before application for a hearing, it must stop, and men discharged because of the difficulty or their union activities must be reinstated."*

*Professor Parsons, *Supra*, 322-3.

Thus if a strike is threatened or has begun on the Government-owned railways of New Zealand the Government has merely to appeal to the Court of Arbitration, which is a part of itself, and that appeal, regardless of the merits of the controversy, of its own force, makes the proposed or actually existing strike unlawful, and obliges men, who may regard the terms against which they have struck as unreasonable, humiliating and utterly obnoxious, to return to work. Then comes the award, and let Professor Parsons tell what follows. He says:

“After the award the law does not compel the employer to keep on doing business, or the employees to keep on working, but if they do keep on working and doing business in that trade, it must be in harmony with the terms of that decision.”*

The engineer, who in early manhood, toiled laboriously upward until his skill and experience won the right to have an engine placed in his charge, after having spent the better part of a lifetime at the throttle, is called into court in a proceeding in which the Government, his employer, is complainant, judge and marshal, and, as the result, is told that he must work on the Government-sanctioned terms, or, in his old age, find another occupation. To Professor Parsons; whose extraordinary abilities and ex-

*Professor Parsons, *Supra*, 323.

ceptional versatility have enabled him, while still a young man, to attain distinction at the bar, as a teacher, upon the lecture platform, and in the realm of controversial literature; the alternative of abandoning one occupation or continuing in it upon obnoxious terms may seem to carry no compulsion toward the latter course. I venture to assert that millions of America's skilled workmen have a different opinion. Professor Parsons adds:

"And the stoppage, if one should occur, must be *bona fide*—anything in the nature of a strike or lockout to escape the award would be instantly checked by the Court."*

Contrast with the foregoing the following from the chief officer of the United Mine Workers of America:

"We have heard much of late of the right to work. . . . There is another right, however, as sacred and as inalienable, namely, the right not to work, the right to desist from work either singly or concertedly, when conditions are such as to render this action advisable and justifiable."†

Perhaps some one will suggest that the situation has been overdrawn, that strikes may yet occur on the Government railways of New Zealand and in other public and

*Supra, 323.

†John Mitchell, *Organized Labor; Its Problems, Purposes and Ideals*, p. 312.

private industries subject to the Compulsory Arbitration law. It is true that lawful strikes are not technically impossible. They may occur under the conditions enumerated by Professor Parsons in the following sentences, but not otherwise:

"If the workers of any trade remained without legal organization, they could still strike; or if they disbanded their registered unions they could strike after existing proceedings and awards ceased to have effect, or for a cause not covered by an award; or if organized labor and its employers both got so hot that each was determined to fight the matter to a finish, and neither would call the other into court, then an old-time strike or lockout would be possible."*

To the foregoing Professor Parsons, somewhat naively, adds: "But none of these things have occurred." Strange! Is it not?

What has happened in New Zealand has happened elsewhere. In several European countries employees of Government-owned railways cannot strike without becoming guilty of a misdemeanor, and, in the Netherlands, while a railway strike was in progress the States-General by a vote of 81 to 14, on April 9, 1903, adopted a law making such a course a misdemeanor, and thereby crushed the existing strike, compelled the men who were out to return to duty

*Supra, 323.

so far as they would be accepted as employees, and utterly defeated the union. It was not necessary to utilize the authority, granted on the same day, for the formation of a military brigade to work the railways during strikes.

I expect to be told that such things could not happen in free America. That here liberty of the individual is sanctioned by Constitutional guarantees as well as by public opinion. But wait, The following is from the Census Act of March 3, 1899, and is still in force:

"That any supervisor, supervisors' clerk, enumerator, interpreter, special agent or other employee, who, having taken and subscribed the oath of office required by this Act, shall, without justifiable cause, neglect or refuse to perform the duties enjoined on him by this Act. . . . shall be deemed guilty of a misdemeanor, and upon conviction shall be fined not exceeding five hundred dollars;"*

More than fifty thousand Americans were subject to the foregoing law in the year 1900. How many will be subject to similar statutory restrictions when interstate railways are nationalized and street railways, electric lighting plants, gas plants, and telephones owned and operated by the municipalities in which they are located? I am confident that American workmen will not overlook this danger to their liberties, that they will not fail fully to appreciate this certain consequence of any large experiment in public owner-

*30 Statutes at Large, 1020.

ship, that their wise verdict will be promptly and definitely rendered.

H. T. NEWCOMB.

Washington Loan and Trust Building,
Washington, D. C.

